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Twenty-fourth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 June 2001, at 10 a.m.

President: Mr. HOSSEINI (Islamic Republic of Iran)
later: Mr. HASSAN (Sudan)

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The meeting was called to order at 10.25 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.24/3, IDB.24/4, IDB.24/5, IDB.24/6, IDB.24/7 and Add.1, IDB.24/8, IDB.24/9, IDB.24/10, IDB.24/11, IDB.24/20, IDB.24/22 and IDB.24/25)

1. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division), responding to issues raised during the debate on the item, said that Japan's request for a zero nominal growth budget raised difficulties. Zero nominal growth meant ignoring inflation, and effectively implied that the budget must be reduced by 6.7 million euros. It must be borne in mind that the budget comprised regular budget contributions and operational budget income. Because technical assistance delivery was to be pegged at $90 million annually, as against $112 million in the current biennium, operational budget income would be slashed by $4 million or 24 per cent. Under the zero real growth scenario, the regular budget was already to be reduced by 4 per cent. It would not be possible to reduce the budget by a further 6.7 million euros without engaging in yet another downsizing exercise. Member States had also complained that resources earmarked for major programmes C and D were too low, as well as calling for enhanced field representation. In view of the overall financial situation, it would thus be difficult for the Secretariat to agree to a further downward revision of the budget estimates.

2. On the question of arrears, the Secretariat urged Member States to pay their assessed contributions not only in full but also in a timely manner. Had one prominent Member State paid its contributions on time in 2000, the collection rate would have been not 85 but 94 per cent. With regard to the United States of America, the Secretariat had approached that country's Mission on a number of occasions with a request for payment of its assessed contributions, and had reported regularly to the Board and the Programme and Budget Committee on developments in that regard. In April 2001 the Mission had informed the Secretariat that the United States Government was not in a position to provide any specific time-frame for settlement of its outstanding contributions, and that the current legislation did not provide funding for payment of United States obligations to UNIDO; nor was the Government in a position to predict when circumstances would be more favourable.

FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION (IDB.24/19)

3. **The PRESIDENT** invited the Board to take up consideration of agenda item 6 and drew attention to the report contained in document IDB.24/19. Further information on the subject was to be found in chapter V E of the Annual Report and in appendix B thereto.

4. **Mr. SHOUKRY** (Egypt), speaking on behalf of the Group of 77 and China, said that the Group was pleased to note the new positive trend in the availability of funds for integrated programmes in 2000. However, there was still no room for complacency. To date, 43 integrated programmes had been developed, requiring funds totalling about $256 million, yet the funds available amounted to only $65 million. Alternative sources of funding must be sought, particularly from multilateral and regional financial agencies.

5. Noting that the net project and programme approvals together with future payments under trust fund agreements had amounted to $87.8 million in the year 2000, the Group wished to express its appreciation for the support extended by bilateral and other donors in financing the integrated programmes. It was regrettable that funding from the United Nations Development Programme (UNDP) "core fund" continued to decrease, with new approvals from that source amounting to only $4.6 million in the year 2000. However, funding from the Global Environment Facility (GEF) and from the Multilateral Fund for implementation of the Montreal Protocol continued to show an upward trend. The Director-General should continue his efforts to secure more funds from those two sources, and to increase the rate of programme delivery.

6. **Ms. LINDHOLM** (Sweden), speaking on behalf of the European Union (EU) and the candidate countries Bulgaria, Cyprus, the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, drew attention to a recent communication from the European Commission to the Council and the European Parliament entitled "Building an effective partnership with the United Nations in the field of development and humanitarian affairs", the full text of which was available on the Internet. The document proposed that future partnerships be based on the principles of division of labour, value added, the comparative advantage of United Nations activities and poverty eradication. That initiative had been welcomed by the European Union Development Council at its meeting in May 2001. The key element was the formulation of Country Strategy Papers identifying, in cooperation with potential recipient countries, relevant fields for partnerships with organizations of the United Nations system. The European Union invited UNIDO to share with it any information at its disposal, including information from its field offices.

7. The Commission communication and the Business Plan on the Future Role and Functions of UNIDO

should be thoroughly analysed and their comparative advantages evaluated as a first step towards adoption of a new cooperative approach. While the initiative could result in an increase in the number of UNIDO activities funded by the European Union, its sustainability would depend largely on the role played by potential beneficiary countries in promoting the value added that UNIDO could bring to implementation of Country Strategy Papers. The new approach provided an excellent opportunity for UNIDO to show itself a reliable partner in the implementation of the EU's development policy.

8. **Mr. SOERIAATMADJA** (Indonesia), speaking on behalf of the Asian Group, said that the Group appreciated the Secretariat's efforts to mobilize funds for the integrated projects, which had resulted in a substantial increase in funds available in 2000. A similar picture was reflected in the net project and programme approvals together with future payments under trust fund agreements, which had risen to $87.8 million in 2000, thanks to the support of bilateral and other donors. Although the funding of the UNDP core fund had decreased, the Group was heartened by the fact that funding from GEF and the Multilateral Fund for implementation of the Montreal Protocol had shown an upward trend. That augured well for a further increase in the rate of programme delivery, and the Group therefore encouraged the Director-General to proceed in that direction.

9. **Mr. DE JESUS FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, reiterated its serious concern about the net decline of projects and programme approvals from all sources of funds, from $81.6 million in 1999 to $76.9 million in 2000. The Secretariat was to be commended for its success in mobilizing extrabudgetary funds for UNIDO's technical cooperation activities, and for its initiatives culminating in the agreements with GEF and the European Commission enabling UNIDO to broaden its financial sources. Implementation of the technical cooperation programmes already formulated with African Governments would assist the continent's industrialization efforts. All possible ways of securing the financial resources needed to implement those activities should be explored, and, with that in mind, the Secretariat unit responsible for funds mobilization should be strengthened.

10. **Mr. KALININ** (Russian Federation) said that UNIDO's capacity to mobilize funds for the integrated programmes should be one of the main measures of its performance, and must be strengthened. It served no purpose automatically to halt or curtail country programmes because of a lack of resources. Instead, the approach to the financing of integrated programmes should be adjusted, with priority given to those programmes and individual projects that stood the best chance of successful implementation.

11. Pursuant to General Conference resolution GC.8/Res.6, entitled "The region of Europe and the Newly Independent States (see document GC.8/INF.4), the Russian Federation favoured enhancing UNIDO's activity in implementing integrated programmes as well as promising individual projects in that region, and particularly in the Russian Federation. It was important to involve donors more actively in the process of implementing integrated country programmes, with due consideration given to their preferences. Greater efforts must be made to mobilize funds from other sources, especially international financing facilities and the private sector. His delegation noted with satisfaction that the funds mobilized for integrated projects in 2000 had been one third higher than the 1999 level, and agreed with the view that the success of a given programme depended largely on the degree of involvement of the recipient country: it must not be forgotten that recipient countries also had a responsibility to attract funds from donors, the private sector and other sources. Thus, the active involvement of Russian regions in implementation of integrated projects had attracted funds and material resources totalling almost $1 million.

12. Traditional relations with donors needed to be continuously diversified. His delegation noted the progress made in obtaining access to bilateral trust funds, which it saw as a promising way of attracting resources. It also welcomed the progress made in developing relations with GEF and the Multilateral Fund for implementation of the Montreal Protocol. There was great scope for resources mobilization through cooperation with other bodies of the United Nations systems in achieving the aims of the Millennium Declaration, and with the private sector, in the spirit of the "Global Compact".

13. **Mr. SANTER** (Luxembourg) said that his Government had decided to allocate the sum of $250,000 to the integrated programme in the Lao People's Democratic Republic entitled "A comprehensive framework to foster economic initiative". Although it had made a voluntary annual contribution of Lux F 3 million to the Industrial Development Fund since 1998, the present occasion was the first time it had contributed to the implementation of a UNIDO project. That gesture should be seen as an affirmation of confidence in the Organization, an implicit recognition of the results of the reform, and a positive assessment of UNIDO's potential to assist developing countries. The determining factor in the choice of integrated programmes had been the commitment to and support for the programme shown by the authorities of the recipient country. It was to be hoped that that example would serve as an incentive for the authorities of other

recipient countries to become actively involved in promoting UNIDO activities.

14. In addition to paying their assessed contributions, Member States could show their commitment to the Organization by making contributions, in cash and in kind, to implementation of the integrated programmes. The beneficiaries of those programmes should become more closely involved in promoting UNIDO activities. A material contribution to programmes and to local and regional structures would serve as an additional indication of the importance that the beneficiaries attached to them. He thus called on Member States, especially the recipient countries, to accord UNIDO projects and programmes greater priority in the formulation of their national policies and strategies.

15. **Mr. SAVANE** (Observer for Senegal), speaking in his capacity as Chairman of the Bureau of the Conference of African Ministers of Industry (CAMI), said that, as the only continent-wide mechanism for industrial partnership and cooperation, CAMI must be supported and its long-term role ensured. A recent World Bank report had cast doubt on Africa's economic survival in the twenty-first century. In 1997, per capita income in the continent, excluding South Africa, had been only $315—one third lower than the figure for south-east Asia. Furthermore, unlike the situation in other developing regions, average per capita production at constant prices had been lower in the late 1990s than 30 years previously. That was attributable, inter alia, to a deterioration in productive capacity, inadequate infrastructure and a weakening of the region's institutions. Africa must make greater efforts to address poverty and inequality, improving economic governance, eliminating obstacles to infrastructure, information and financing, stimulating domestic production and processing of its resources, diversifying its exports, strengthening partnerships and intensifying regional integration. The African Ministers of Industry were ready to commit their Governments and private sector to mobilizing domestic resources as a prerequisite to increasing the pace of industrialization with the assistance of the international financial community.

16. Africa was truly an exception in terms of industrial development, since its countries were already highly marginalized in global flows of goods and services, accounting for barely 1 per cent of world manufacturing value added. It thus needed specific mechanisms and new industrial strategies to enable it to confront the new millennium. The new CAMI that had emerged from the October 1999 Dakar Conference, which looked increasingly to the private sector, must be preserved and rendered sustainable. In its role as joint provider of the Conference's secretariat services, UNIDO had already done much to secure that end. Tribute must be paid to the indispensable role played by the Organization in the industrialization of Africa.

17. Yet UNIDO would have to devote more resources to Africa if it was to translate the continent's aspirations into reality. It should rectify the shortcomings in its management and programmes so as better to serve its Member States, especially in Africa. It should launch more integrated programmes in Africa. It should provide more consistent financing for its programmes. And it should make better use of African experts, inter alia at the highest levels of the Organization. It must also provide an adequate level of technical cooperation activities for priority regions such as Africa.

18. The shortfall in financing for the integrated programmes in Africa highlighted the need for a new vision for UNIDO. That was why the African Heads of State and Government had decided to put forward an African candidate for the post of Director-General, one whose competence and experience would restore confidence in an organization whose technical cooperation activities had declined substantially over the past decade. In putting forward its candidate, Africa wished to contribute to building a more balanced and just world in which there would be wealth, jobs and development for all. Given his exceptionally eminent career, Africa's candidate would bring a wealth of expertise to UNIDO that could be used to improve mobilization of resources for technical cooperation programmes. The candidate was currently Deputy Director-General of the World Trade Organization. Though Africa believed it deserved more from UNIDO, its intention in putting forward an African candidate was not merely to promote its own specific interests. It sought a partnership between the industrialized and the developing countries and economies in transition in which there would be no losers, creating stable conditions for effective international cooperation to eradicate poverty worldwide and bring sustainable development for all.

19. After a long period of reforms, the time had come to stabilize UNIDO's activity, so as to make it not only an advocate of equitable industrial development but also an organization capable of mobilizing the substantial financial resources needed to implement its programmes. Africa was ready to play its part in creating the conditions for the revitalization of UNIDO. Accordingly, at its fourteenth Conference, in Dakar, CAMI had adopted a plan of action in that regard. As Chairman of its Bureau, he had visited Côte d'Ivoire, which currently chaired the Patrons' Group of the Alliance for Africa's Industrialization, and had contacted several donors, including the European Union, seeking support for CAMI's programmes. He had visited South Africa and Mauritius in search of examples of best practice which the African private sector could emulate in exploiting the new opportunities provided by the Cotonou Agreement, by the Second Tokyo International Conference on African

Development and by the United States African Growth and Opportunity Act. The new CAMI was thus undergoing a process of consolidation.

20. The Bureau of CAMI had called on the Director-General to conduct two important studies, one on mechanisms and strategies for the industrialization of Africa in the new millennium, the other on rendering CAMI sustainable. In conclusion, UNIDO should accord high priority to CAMI, just as CAMI had always accorded exceptional priority to UNIDO, even in its most troubled times.

21. **Mr. PAULINICH** (Peru) said that from the outset Peru had supported integrated delivery of UNIDO's technical cooperation services. The integrated programmes were a valuable manifestation of that approach. While acknowledging the substantial progress made in mobilization of funds, his delegation noted with concern that the integrated programmes often remained unimplemented for lack of funds. All Member States should cooperate more closely with UNIDO to mobilize the funds needed to finance the integrated programmes. His delegation thus welcomed the announcement of funding by the representative of Luxembourg, as an indication of renewed confidence in UNIDO.

22. **Ms. ZVEREVA** (Belarus) said that, while the integrated programmes had become a major accomplishment in the UNIDO reform process, 43 such programmes having been developed for a value of $256 million, a serious problem continued to be the lack of adequate resources. Her delegation noted with satisfaction the efforts made by UNIDO in that respect. Funds mobilized for integrated programmes had risen to $32.4 million compared with $23.7 million in 1999. Cooperation with GEF with a view to the funding of UNIDO projects was being developed and consultations with donors had already produced results in the form of increased programmable donor funds and access to bilateral funding. However, the problem had not yet been fully resolved. Her delegation wished to urge the Secretariat to seek to involve the private sector and international and multilateral financial institutions more actively and to explore the funding possibilities afforded by non-governmental organizations (NGOs) and international organizations.

23. Belarus actively supported the integrated approach to programmes and believed that it was important not to halt the development of new programmes in order to concentrate on the implementation of existing ones. Even when full funding was not available, the development of programmes was useful to Governments receiving technical assistance since it enabled them to concentrate their efforts on key areas of economic development, helping them to attract investment and develop new regional cooperative initiatives. If a programme had several components, its implementation could take place in stages, with emphasis given to priorities at each stage, as appropriate.

24. Her Government attached importance to the development of cooperation between donor countries and recipient countries in both the formulation and implementation of integrated programmes and believed that regular consultations should be held to evaluate the results of the programmes.

25. **Ms. QUINCY** (France) said that her country attached great importance to the effective implementation of the integrated programmes, which constituted the best means of reaffirming UNIDO's relevance and offered the advantage of coordination in the definition of the different components and in funds mobilization. France strongly believed that, in the implementation of the integrated programmes, the priority accorded to the least developed countries (LDCs), and in particular the African States, in line with the Business Plan on the Future Role and Functions of UNIDO should be strengthened. Her country had accordingly decided to participate in the integrated programme for Algeria for an amount of 9.5 million French francs over three years.

26. On the question of resource mobilization, France had expressed the wish that donor States be involved at as early a stage as possible in the formulation of new programmes or when programmes underwent amendments. Donors should be directly approached in their capitals and UNIDO team missions to beneficiary countries should be supplemented by missions to donor countries. France was grateful to the beneficiary countries and to the Secretariat for their positive response to that request and for having allowed constructive dialogue to take place. There were prospects for France's participation in the integrated programmes of three LDCs in Africa, Senegal, Guinea and Madagascar. Her country was pleased to be involved in that way in the strengthening and development of UNIDO's activities within the framework of the priorities defined in the Business Plan. Although the process involved might be judged lengthy by some, its stages were necessary elements for a successful outcome.

27. **Mr. MEEKUN-IAM** (Thailand) said that his delegation noted the positive trend in funds mobilization for the integrated programmes during the current biennium and the efforts made by the Secretariat. It was grateful to those donors who had offered their support and hoped to see that support continue.

28. His delegation was of the view that technical assistance was the most important function of UNIDO, and the 6 per cent share of the regular budget allocated to technical cooperation expenditure was essential to that function, as an adjunct to any further technical

assistance funding from voluntary contributions. The 6 per cent allocation from the approved regular budget should be given priority and not allowed to vary proportionally with the actual sum received by way of assessed contributions.

29. **Mr. ABE** (Japan) said that, while his Government would make every effort to make financial contributions to UNIDO, it was currently faced with serious economic and financial difficulties. Under those circumstances, a dramatic rise in his country's financial contributions to the Organization could not be expected. The best to be hoped for at present was that the same level of contribution to UNIDO would be maintained.

30. Unfortunately, Japan was not an exception. Already at the current session, many members of the Board had expressed their difficulty in making further financial contributions to UNIDO or their unwillingness to do so. If UNIDO depended solely on government contributions, there was a definite limit to the financial resources that it could mobilize. It was necessary to seek funds outside traditional government sources.

31. While supporting the efforts of the Secretariat to mobilize funds, he wished to issue a word of caution. In order to mobilize funds, there had to be proof that the Organization was capable of using the resources effectively, without any misuse or wasteful spending. The selection of UNIDO's senior management would be critical in that connection.

32. **Mr. TOTH** (Observer for Hungary) said that, at the last session of the Programme and Budget Committee, his delegation had drawn Member States' attention to the regional technology foresight initiative in central and eastern Europe and the Newly Independent States. At the Regional Conference on Technology Foresight for those countries, recently convened in Vienna by the Permanent Mission of Hungary, the importance of technology foresight activities in countries with transition economies had been reaffirmed, Governments in the region had been encouraged to establish technology foresight programmes at the national level and UNIDO had been requested to launch a regional technology foresight programme.

33. With the aim of developing the idea of such a programme further, a high-level expert group meeting had been organized at the Hungarian Permanent Mission on 18 and 19 June. That meeting had clarified the objectives of the programme, which were to improve the competitiveness of national economies, enterprises and institutions and to create a basis for effective innovation policies. The programme should facilitate the creation of a foresight culture and contribute to awareness-building. Through the programme, UNIDO could assist stakeholders in developing national and regional technology foresight capabilities. Also, the programme would offer possibilities for the coordination of national technology foresight efforts at the regional level. To that end, national technology foresight focal points should be identified and linked to one another through the UNIDO Exchange facility, with a regional technology foresight centre functioning as a repository of foresight knowledge and experience. The programme would foster the development of regional counterparts to coordinate regional foresight activities with a view to encouraging national actors to adopt common objectives, methodologies, infrastructure and management teams and promoting the use of foresight in the design of regional innovative technology policy.

34. The Government of Hungary supported regional cooperation in the field of technology foresight under the umbrella of UNIDO. There were two basic reasons for that. Technology foresight was an effective tool for decision makers, whether in administrations or in enterprises or other institutions, and the regional initiative showed that UNIDO was a relevant organization from the point of view of the countries of central and eastern Europe and the Newly Independent States.

35. **Mr. MOONESINGHE** (Sri Lanka), referring to the Annual Report of UNIDO (IDB.24/2 and Corr.1 and Add.1), said that his delegation had noted that UNIDO had been able to raise 30 per cent of the total funds needed for its planned activities and that the Asian region had received only 14.14 per cent of the required funds. That was a serious matter, given that that region had a population of nearly 3 billion. The attention of the donor countries should be drawn to the fact that there was a growing gap between the Asian region's industrialization and that of the advanced countries, which was a reason for the movement of illegal immigrants to Europe and America.

36. His Government had taken note of the report of the Programme and Budget Committee on the work of its seventh session and supported the recommendations made by it to the Board.

37. Despite his country's present financial constraints, it had paid its contributions to UNIDO on time. It wished to appeal to all Member States to do likewise in order to facilitate the Organization's technical cooperation activities.

38. With regard to the financing of UNIDO programmes, his delegation noted that funding was a major constraint in the implementation of technical assistance under the many integrated programmes. In the case of Sri Lanka's integrated programme, significant progress had been made, with expenditure of $5.4 million furnished over a short space of time. The programme was having a major impact, with a UNIDO-

led industrial development activity being covered in the local press almost every two months. Such awareness creation in regard to the importance of industrial development was an important benefit arising from the integrated programme. The programme should by seen by beneficiary countries as a joint UNIDO-Government programme, and there must be a sharing of responsibility for funds mobilization. Sri Lanka had assigned two major bilaterally funded projects for implementation by UNIDO and had taken a keen interest in mobilizing donor funds. His delegation suggested that the allocation of UNIDO funds should be focused on the integrated programmes in order to produce a demonstrable impact in a short period of time.

39. On the question of environment-related activities, his delegation appreciated the progress made by UNIDO and wished to emphasize the Organization's role in the development and implementation of rural energy programmes based on clean and renewable energy sources, with particular emphasis on solar and wind power. Accessibility to reliable and affordable energy was very unevenly distributed, both between countries and within countries, and many developing countries faced an urgent need to provide adequate, reliable and affordable energy services to millions of people in rural areas. His delegation wished to stress the objective of the energy programme, which was to promote the transfer of technologies to help developing countries meet that need. Attention should be paid to strengthening local manufacturing capability in the area of appropriate energy equipment and energy systems.

40. It was heartening to note that UNIDO gave pride of place to the requirements under the Kyoto Protocol and the Montreal Protocol.

41. With regard to field representation, his delegation was of the view that a meaningful field structure had to be supported with human and financial resources. It was difficult to see how that objective could be achieved within the current budgetary constraints. There should also be a core of technical expertise at Headquarters to formulate programmes, develop methodologies and provide specialist technical assistance. It was necessary to move cautiously on the question of field representation. It would perhaps be advisable to observe the first pilot operation in Nigeria over a period of time and then decide how best to proceed.

42. **Mr. AMIN** (Pakistan) said that, during the last few years, UNIDO had undergone a reform process that was now almost complete. The financing of the Organization's programmes had faced numerous problems over that period. Technical cooperation delivery had declined during that time. His delegation hoped that that trend would now be reversed. UNIDO could explore new and innovative ways of mobilizing funds. Member States might also consider reviewing the 6 per cent ceiling on the allocation for technical cooperation from the regular budget.

43. In the year 2000, UNIDO had approved an integrated programme for the sustainable development of Pakistan. Of the current total planning figure of $6 million, an amount of some $200,000 only had been made available to date, which represented 3 per cent of the required funds. His delegation therefore called for a greater response to Pakistan's integrated programme.

44. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division) expressed, on behalf of the Secretariat, appreciation for the general support shown by the Board for the concept of integrated programmes and the manner in which the integrated programme scheme was being carried forward. The suggestions made by delegations for improving the quality of implementation and ensuring a positive impact in the field had been noted.

45. With regard to the remarks made by the representative of Sweden concerning the document relating to the building of a better partnership between the European Community and the United Nations, he said that the text of that document was being studied and action had been initiated with a view to seeking cooperation and funding from the European Union for various integrated programmes in connection with technical assistance projects.

46. On the question of funds mobilization, the decline in traditional donor funding had been commented on. Innovative methods had to be found for securing financial resources, including GEF, the Montreal Protocol and multilateral funding agencies. A number of documents before the Board showed that the Secretariat was active in pursuing contacts with those institutions. Attempts were also being made to identify funding opportunities in host countries, with non-governmental organizations and other institutions and bilateral donors.

47. The representative of Senegal had referred to the question of the sustainability of CAMI. It was understood that, in 2002, the Economic Commission for Africa (ECA), which had initiated CAMI, would not be actively involved and might withdraw from the institution. The question of what the relationship of ECA, UNIDO and the Organization of African Unity would be in providing assistance to CAMI was currently being studied. There would be an arrangement to enable all institutions associated with CAMI to continue to support it.

48. Reference had been made to the future of IDDA. That programme had already been in operation for two decades and some new approach was needed to allow the work to continue. Whether there was a further "development decade" or not, the focus on Africa would

continue. UNIDO's integrated programmes would basically concentrate on the African region and the Organization and the Secretariat would continue working for Africa, in line with the Business Plan.

49. **Mr. D'AMBROSIO** (Managing Director, Sectoral Support and Environmental Sustainability Division), referring to the statement by the representative of Egypt, said that, during the first 17 months of the current biennium, UNIDO had secured new approvals from GEF for $18 million, compared with $3-4 million for the previous two years together. He wished to mention in particular that the Organization had a few days previously received a visit from members of the GEF secretariat, during which discussions had been initiated on the portfolio of UNIDO projects for the next five years. GEF would possibly approve by February 2002 the level of replenishment for the next GEF replenishment period, from June 2002 to June 2006. A second round of discussions was planned for the end of August in Washington to continue the negotiations. Funding of that type was ideal for an international organization because prior discussions of the services to be provided over a period of years gave the Secretariat time and also the opportunity to react in the best possible way.

ENVIRONMENT-RELATED ACTIVITIES (IDB.24/12)

50. **Mr. SHOUKRY** (Egypt), speaking on behalf of the Group of 77 and China, said that the Group of 77 and China took note with satisfaction of document IDB.24/12 on recent progress in the implementation of General Conference resolution GC.8/Res.2 on the Global Environmental Facility.

51. The Group was convinced that, in the current situation of limited financial resources, UNIDO should continue to enhance its potential for technical cooperation in environment-related activities by strengthening existing working relationships with other international organizations such as GEF and the Montreal Protocol.

52. **Ms. LINDHOLM** (Sweden), speaking on behalf of the European Union and the candidate countries Bulgaria, Cyprus, the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, said the European Union believed that environment-related activities should continue to be key issues in the work of UNIDO. The Organization's unique experience and competence in areas such as energy efficiency, persistent organic pollutants (POPs) and the implementation of the Montreal Protocol could be of crucial importance in the successful implementation of projects in the environmental field. The potential contribution of the cleaner production centres should also be mentioned in that connection.

53. The European Union wished to express its satisfaction at the close relationship that UNIDO now had with GEF as an executing agency with expanded opportunities, and believed that the recent signing of the Stockholm Convention on Persistent Organic Pollutants would enable UNIDO to become more involved in those issues. UNIDO could also contribute within the GEF framework to projects in the area of energy efficiency, having shown its competence in that field on many occasions.

54. The European Union supported UNIDO's contribution to the global efforts to combat depletion of the ozone layer and believed that the Organization had an important role in assisting developing countries in that connection. Cooperation with GEF and the Montreal Protocol could also create opportunities for UNIDO to broaden its activities in the area of ozone layer protection and help it meet its ambitious technical cooperation delivery target. The European Union hoped that UNIDO would be able to secure the necessary resources to implement those new activities, as presented in the budget.

55. The European Union had noted with interest UNIDO's participation in the sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held at The Hague, and hoped that the Organization would take part in the continuation of the Kyoto process and attend other conferences dealing with climate change.

56. The recently held ninth session of the Commission on Sustainable Development had dealt with the issue of energy for sustainable development. With its energy-related experience, UNIDO should continue to participate in follow-up events, including multi-stakeholder forums such as the Global Forum on Sustainable Energy. At the recent European Union summit in Gothenburg, it had been concluded that sustainable development called for global solutions. The European Union would seek to make sustainable development an objective in bilateral development cooperation and in all international organizations and specialized agencies.

57. UNIDO's preparations for the World Summit on Sustainable Development, to be convened at Johannesburg in 2002, should include active participation in the preparatory meetings and adequate presentation of its expertise in environmental matters. The Organization should actively seek to strengthen its contacts with the United Nations Environment Programme (UNEP) and to contribute to the reform process in the sphere of environmental governance, as discussed at the Open-ended Intergovernmental Group of Ministers on International Environmental Governance.

58. **Mr. TOUQ** (Observer for Jordan), speaking on behalf of the Asian Group, welcomed UNIDO's progress in implementing GEF projects. However, the Secretariat should provide information on the criteria and procedures for project selection and formulation under GEF and the Montreal Protocol to allow more Member States to benefit from them. He welcomed UNIDO's early preparations for participation in the forthcoming World Summit on Sustainable Development. UNIDO's objective there should be to secure a resolution which acknowledged the key function of industry in sustainable development, resulting in an enhanced mandate for the UNIDO technical cooperation programme. The Group urged UNIDO to strengthen further its programmes on environment-related activities.

59. **Mr. PAULINICH** (Peru), speaking on behalf of GRULAC, said that the Group attached great importance to UNIDO's activities and services intended to promote environmentally sustainable industrial development in the face of increasing environmental degradation. In view of the limited resources available for industrial development, he was pleased that UNIDO was gaining recognition and was receiving financial support for projects under global programmes such as the Montreal Protocol and GEF. The budget estimates for 2002-2003 indicated an increase in the number of programmes relating to the environment and energy—proof that the Secretariat was discharging its mandate under General Conference resolutions GC.8/Res.2 and GC.8/Res.3. It should continue along those lines, bearing in mind that environment-related activities should ultimately strengthen the Organization's main function—the provision of technical cooperation services.

60. Speaking as the representative of Peru, he said that one of the main challenges facing the Organization was the scarcity of resources for its technical cooperation programmes. He therefore welcomed its role as GEF executing agency, which would give it direct access to funds for technical cooperation projects. Likewise, its participation in the forthcoming World Summit on Sustainable Development and in activities relating to the climate Convention would serve to broaden the mandate of the technical cooperation programme as well as to increase the Organization's visibility.

61. **Ms. FAJARDO DIAZ** (Cuba) said that her country paid special attention to protection of the environment, as was borne out by the Cuban integrated programme, with an environmental component relating to agro-industry, energy and food safety. Through the implementation of that integrated programme significant progress had been made in achieving a cleaner environment in 15 food-processing factories in Cuba. Activities carried out successfully by UNIDO under the Montreal Protocol had also had a positive effect in the country, particularly with regard to eliminating the use of methyl bromide in agriculture. Negotiations were currently under way to cooperate with the Organization on the implementation of a programme under the Stockholm Convention to mitigate the negative effects of POPs on the environment and human health. She expressed satisfaction at UNIDO's dynamic approach to promoting environmentally sustainable industrial development.

62. **Mr. ZHANG Yishan** (China) welcomed UNIDO's efforts to establish and further cooperation with GEF and other environment and energy-related international organizations and hoped that such momentum would be maintained. China enjoyed long-standing cooperation with UNIDO on environment-related projects, including the one implemented in the year 2000 under the Montreal Protocol, whose project value exceeded $11 million. In March 2001 the Chinese Government and UNIDO had also prepared a GEF project proposal for the development of a national strategy and implementation plan on POPs. China would continue to support UNIDO's environment-related activities and commended the results achieved so far.

63. **Mr. KALININ** (Russian Federation) said he was in favour of strengthening UNIDO's role in encouraging environmentally sustainable industrial development in countries with economies in transition. He would welcome information from the Secretariat on the outcome of studies into possible support from multilateral financing institutions for cleaner industrial production. UNIDO's experience in implementing projects under the Montreal Protocol augured well for cooperation with GEF, which it was hoped would improve the situation with regard to resources and consequently project implementation. Activities under the Kyoto Protocol—which had already proved to be effective—should be further developed. Attention should also be paid to the joint implementation of projects; such an approach was not only useful from the environmental standpoint but would also foster cooperation between the industrialized and developing countries, and between large companies and small and medium-sized enterprises, which was important for the transfer of technology and acceptance of international standards on management and production quality.

64. **Mr. HAMEDANI** (Islamic Republic of Iran) said that UNIDO clearly recognized the crucial importance of the many challenges posed by globalization. In that connection he welcomed the Secretariat's efforts to follow up the Millennium Declaration and Programme of Action, which covered, inter alia, environmentally friendly industrial development and the enhancement of productive capacity. All Member States should endeavour to redress the recent decline in voluntary contributions for technical cooperation so as to allow the Organization to fulfil its mandate.

65. UNIDO should pursue its involvement in environment-related activities, above all to counter the view that industrial growth in developing countries was constrained by environmental considerations. The transfer of global best practices and institutional capacity-building contributed, inter alia, to decision-making on industrial and environmental management at national level. To that end, the exchange of experience and information among Member States should be the main thrust of UNIDO's activities. While he recognized the merits of global forum activities, further reflection was required on the industrial trends, strategies and related activities in the economies of developing countries, in accordance with the Business Plan.

66. He appreciated initiatives to foster closer cooperation between UNIDO and GEF, promoting progress towards greater resource mobilization. The shortage of expertise and resources must be remedied. In that connection, more information from the Secretariat on the criteria and procedures for project selection and consultations between stakeholders would be useful.

67. Since the integrated programmes approach had not yet yielded the desired results, he suggested the re-introduction of some stand-alone projects. Although a series of measures had been adopted to strengthen the technical capacities of the Secretariat, it required greater technical resources to ensure greater efficiency.

68. **Mr. ABE** (Japan) said that his Government supported UNIDO's environment-related activities for sustainable development, including those outlined in document IDB.24/12. Since that area was one that had potential for expansion, UNIDO should provide sufficient human and financial resources for it.

69. **Ms. HERNES** (Norway) expressed appreciation of UNIDO's increased competence on environmental issues, particularly energy efficiency, POPs and the development of cleaner production centres, as shown at the recent Conference on the Least Developed Countries and the session of the Commission on Sustainable Development. Increased cooperation between UNIDO and GEF was certainly one of the most promising developments of recent years for a number of reasons: it proved that efforts to restore the Organization's credibility had been successful; greater cooperation with GEF was likely to enhance UNIDO's capabilities and expertise on environmental issues; it provided the Organization with greater access to funding.

70. Norway wholeheartedly supported UNIDO's environmental activities and had contributed around $600,000 for cleaner production centres and municipal waste management projects under integrated programmes in Africa. It was in favour of continuing of the integrated programmes approach. The increase in environment-related activities as a result of cooperation with GEF would prove challenging for the Organization, which must therefore have stable leadership. The current Director-General's commitment to the Organization's mandate and to focusing on areas where it had comparative advantages had considerably raised its profile, which augured well for the future. The process of reform under way had already paid dividends, although the Organization's financial base was not yet secure. It would be detrimental to UNIDO for continuity to be broken. She was satisfied with the management of the technical cooperation programme and its focus on environment-related activities and integrated programmes. She also supported the commitment to LDCs, one of the areas where UNIDO enjoyed comparative advantages.

71. **Ms. GUNDUS** (Turkey) said the Membership of the Organization recognized the importance of taking environmental considerations into account in efforts to achieve sustainable development, but such efforts called for international cooperation. UNIDO had proven itself to be one of the leading players in the international arena in assisting countries with environmental problems, as illustrated by the successful implementation of the Montreal Protocol. Also welcome was recent progress in strengthening cooperation with GEF, particularly recognition of UNIDO's expertise with regard to POPs. She encouraged UNIDO to promote its role in ensuring environmentally sound industrial development by participating in more relevant conferences such as the forthcoming World Summit on Sustainable Development. She would welcome information on UNIDO's preparation for that event.

72. **Mr. HASSAN** (Sudan) said that his country attached great importance to all UNIDO's environment-related activities. In the light of the integrated programmes approach, it hoped for more ambitious projects in the area that would have an impact on important economic activities in the Sudan, such as oil production, transport and exportation. The Sudan hoped to launch a new project the following year, in which UNIDO would play an important role. The financial implications of the proposed project were currently under consideration.

73. **Mr. D'AMBROSIO** (Managing Director, Sectoral Support and Environmental Sustainability Division) thanked Member States for their expressions of support for UNIDO's environment-related programmes. In response to the representative of the European Union, he pointed out that cooperation with other agencies, in particular UNEP, was steadily improving. UNIDO had been invited to participate in the Environmental Management Group (EMG). At the second EMG meeting held recently in Geneva, the UNEP management had suggested that, in future, UNIDO should coordinate system-wide activities relating to the

environment, notably on solid waste management. UNIDO had also been invited to take part in the next two UNEP Governing Council meetings.

74. On the question of criteria and procedures for project selection under GEF and the Montreal Protocol, he said that all continents were covered and more than 50 Member States had thus far benefited from such assistance. As far as POPs were concerned, letters would soon be dispatched to all signatories of the Stockholm Convention on the type of services UNIDO could provide. He acknowledged the importance of cooperation between UNIDO and China on environment-related activities. While he shared the Russian Federation's views on the joint implementation of activities under the Kyoto Protocol, he stressed that the bulk of such projects were in the hands of the private sector. UNIDO would, however, endeavour to support some of them. He assured the representative of the Islamic Republic of Iran that stand-alone projects would continue to be drawn up and implemented by UNIDO in future.

75. He thanked Japan for its consistent support for UNIDO initiatives, agreeing that opportunities provided by cooperation with GEF could be more fully exploited if more resources were available. After thanking Norway for its support to UNIDO over the years, he stressed that cooperation with GEF should not be viewed solely as a funding opportunity. Another very important aspect was the recognition by GEF of UNIDO's relevance and even pre-eminence with regard to POPs and industrial production. UNIDO had been assigned a number of very specific tasks by GEF in the areas of management efficiency, POPs and the industrial aspects of international waters.

76. Moreover, the significance of the recently established cooperation with the United Nations Foundation (UNF) should not be underestimated. In the last 18 months four projects relating to energy had been funded by UNF from the "Turner Fund". On some of those projects there was direct cooperation with a number of countries, including non-member States such as the United States of America. Towards the end of the summer, UNIDO would hold a second meeting with the GEF secretariat to devise a better strategy for UNIDO on areas where funding was received. A briefing session would be held for Member States at the end of September on the outcome of that meeting.

FIELD REPRESENTATION (IDB.24/15; IDB.24/CRP.5)

77. **Mr. SHOUKRY** (Egypt), speaking on behalf of the Group of 77 and China, underlined the importance of strengthening field representation by decentralizing functions and providing adequate financial resources to enhance activities at both country and regional levels. Having followed with interest the first pilot project for effective decentralization, the Group encouraged the Secretariat to increase the number of those projects in different geographical areas in order to identify possible problems and develop a more effective and balanced decentralization plan. The establishment of effective field offices was crucial for national industrialization efforts. The Secretariat was therefore invited to assess, in consultation with Member States, the current field representation scheme so as to improve its effectiveness. In conclusion, he appealed to donor countries to support UNIDO in its efforts to improve field representation.

78. **Ms. LINDHOLM** (Sweden), speaking on behalf of the European Union and the candidate countries Bulgaria, Cyprus, the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, said that major programme E was the only regional programme in the budget proposal from the Secretariat that did not show a reduction in the budget as compared with the previous biennium.

79. Improved efficiency in the Organization's field presence would be an important step towards decentralization, as outlined in the Business Plan. Field representation of UNIDO should be efficient and effective and targeted towards delivery of technical cooperation which had the greatest impact. At the same time, it was important to delimit the tasks of regional offices and country offices in order to avoid duplication of work. The Organization should consider carefully whether or not it should maintain country offices that offered little value added. In that connection, the European Union recalled the decision taken by the Board at its previous session to assess the current field structure before taking further steps towards decentralization.

80. In order to establish an efficient field structure within existing resources, UNIDO should not ignore the field structures of other organizations. The United Nations Development Assistance Framework (UNDAF) was a useful instrument for coordinating field representation on a country basis, because it made optimum use of limited resources.

81. **Mr. TOUQ** (Observer for Jordan), speaking on behalf of the Asian Group, said that field representation played an important role in the efficient delivery of technical assistance, which was one of the goals of the reform process in UNIDO. The Asian Group took note of ongoing efforts and progress to achieve effective decentralization. Coordination between field offices and regional bureaux at Headquarters should be improved in order to increase the efficiency of field offices and provide a clearer picture of the relations, functions, obligations and liabilities of all field offices vis-à-vis Headquarters.

82. *Mr. Hassan (Sudan) took the Chair.*

83. **Mr. KALININ** (Russian Federation) said that it was necessary to maintain a strict balance and an optimum division of functions between Headquarters and the field. The strengthening of the field component through a weakening of Headquarters and too great an emphasis on the independence of field offices could lead to centrifugal trends in the Organization and make it less manageable and efficient. The field offices could also be weakened. The current organizational structure of the UNIDO Secretariat seemed highly satisfactory, which did not preclude further efforts to improve its efficiency.

84. Decentralization and its emphasis on work in the field would require better coordination and management on the part of UNIDO Headquarters. While his delegation agreed that the strengthening of the field offices was important for the implementation of the Organization's programme activities, it was essential that all the links in the chain—Headquarters, the field, donors and recipients—should make their appropriate contribution. Even with greater authority and resources, field offices would hardly be able to implement integrated programmes and separate projects on their own. Without support from Headquarters, direct partners in programmes and projects, and Governments and donors, field offices would not be effective.

85. At the Millennium Assembly, the Secretary-General of the United Nations had called for maximum use of the potential of the "digital information revolution". It was encouraging that UNIDO was already beginning to make active use of modern digital technologies to improve the effectiveness of field operations. UNIDO's electronic exchange was a good example of such efforts.

86. **Mr. HAMEDANI** (Islamic Republic of Iran) said that his delegation had studied the Director-General's progress report on field representation (IDB.24/15) with interest. Owing to a lack of sufficient financial resources and qualified staff at Headquarters, the Organization's capacity to strengthen its field presence in order to enable field offices to respond effectively to the expectations of the developing countries was greatly hampered. In that connection, it was necessary to hold further consultations among all stakeholders. The provision of national offices with the structures and means necessary to carry out their work, particularly through the assignment of qualified and motivated Headquarters staff to the field, would constitute a practical approach in the direction of effective decentralization.

87. **Mr. ABE** (Japan) said that, at its previous session, the Board had called for a study of the current situation of field representation. His delegation was of the view that, when a new field structure was established, sufficient consideration should be given to such issues as function and choice of area of coverage, taking due account of the Secretariat's study. A comparison of the Annual Report 1999 with the Annual Report 2000 showed that UNIDO had increased its staff members and strengthened its capacity in its field offices in Nigeria and India, opened new offices in Yemen and China and closed its offices in Uzbekistan, Ecuador, Honduras and Nicaragua. Staff were no longer financed from the UNIDO budget at field offices in Burkina Faso, Eritrea, Mali and Mozambique. In that connection, he requested the Secretariat to explain the changes that had been made in the organization of the field offices and report on the results of its study on field representation.

88. **Mr. MOHAMED** (Sudan) said that it was necessary to provide the regional and national offices with the necessary human and financial resources. The dispatch of highly qualified staff to regional and national offices would enable those offices to attract investment from Governments and the private sector. Such a presence would help to ensure the proper management of environmental issues in those countries. The staff should also be well trained in proper industrial management and have a good awareness of environmental issues.

89. **Mr. AMIN** (Pakistan) said that the country offices should remain the focal point for programmes in the countries in which they were located. The coverage of country offices from regional offices should take account of the particular situation in the region. Since country directors played a pivotal role in country programmes, such posts should not be left vacant at any time.

90. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division), replying to questions raised, said that reference had been made to the Secretariat's in-depth study of the current situation of field representation. That study had been completed and a summary of its results was contained in document IDB.24/CRP.5. The study established that UNIDO field offices were basically supportive offices. The Organization's technical cooperation activities were managed by Headquarters technical personnel, and the field offices provided logistics and technical support in the field. In that connection, there was a limit to the extent to which UNIDO could be decentralized. Until the biennium 1996-1997, of the nearly $14 million that had been spent on field offices, as much as $9 million had been provided by UNDP. In the biennium 1998-1999, UNDP had stopped funding the field offices and UNIDO had to bear the entire burden of maintaining those offices. During the same biennium, UNIDO's budget had been reduced by 20 per cent. With limited resources, it was not possible to provide additional staff or expertise to the field offices. As indicated in the proposed budget for the biennium 2002-2003, the funds allocated to field offices would stabilize. Only one field

office, the Nigerian office, had been strengthened, on a pilot basis, with additional technical staff to implement the integrated programme, with the regional director acting as team leader.

91. The representative of Japan had referred to the opening and closing of field offices. Immediately after the Director-General had taken office, UNIDO had been asked to establish 30 country offices. While some of the 30 offices had been converted to regional offices, regional offices were basically country offices with additional staff and functioned as regional technical centres. Regional offices were not a level between Headquarters and country offices. There had been no offices in Burkina Faso, Eritrea or Mali. Junior Professional Officers might have been stationed there, but Junior Professional Officers were funded by donor countries and were placed in UNDP offices to work for UNIDO. Once their two- or three-year assignment ended, they left the country in which they had been stationed and their services were no longer available.

92. **Mr. SHIN Sung-won** (Republic of Korea) asked why the staff of the field offices in Nigeria and India had been increased while several other offices had been closed.

93. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division) said that there were 30 field offices. Nine of those offices had been converted to regional offices, and each regional office would have, in addition to a director, two technical staff. The Indian regional office consisted of the director, two international staff who were still to be recruited and two national staff provided and financed by the Indian Government. Similarly, in Nigeria there were two senior international technical staff and two additional staff who had been assigned to implement integrated programmes. The Nigerian Government had also funded some national officers.

94. **Mr. SINGAPHI** (South Africa) said that the issue of field representation was of great interest to South Africa, which had recently joined UNIDO. The Government of South Africa was open to further discussions with the Secretariat with a view to ensuring the successful implementation of programmes.

The meeting rose at 12.55 p.m.